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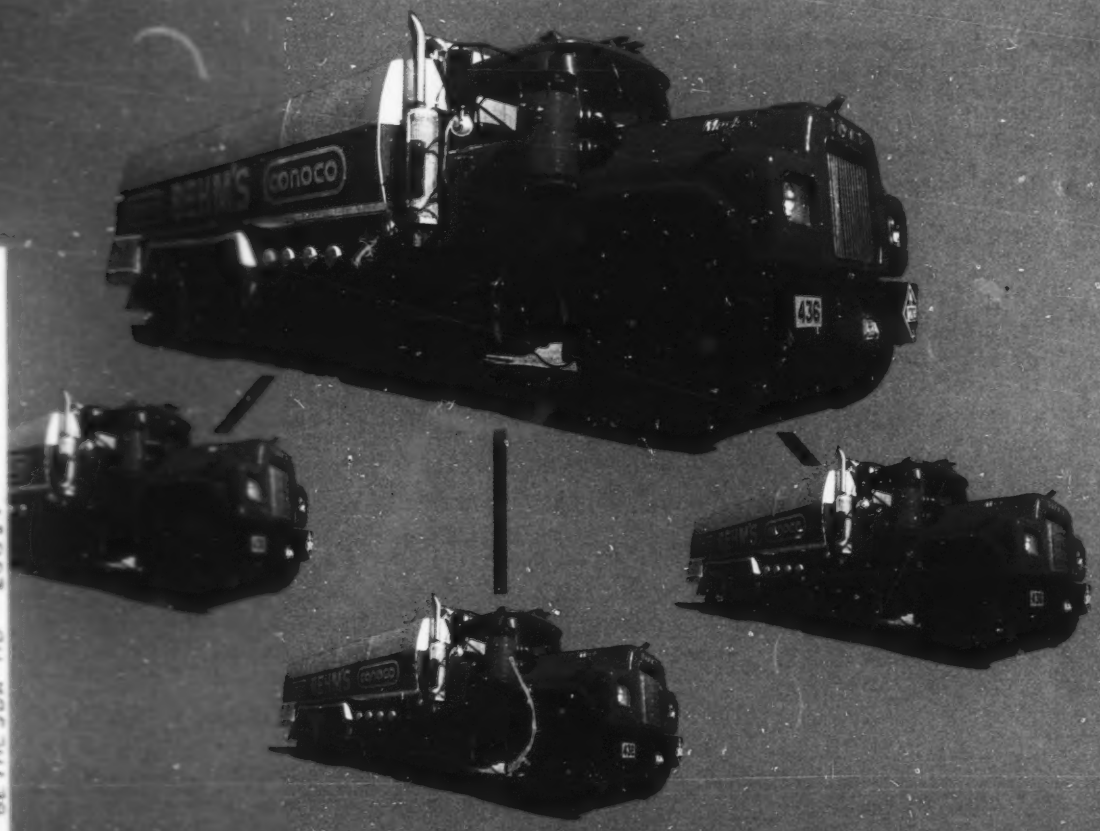
Sharp Stores Fortify N.M. Jobbership

What Refiners See from Lead Phasedown

Can Big Oil Halt Hostile Takeovers?

NPN

National Petroleum News



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Small Jobbers Under Seige

- Will Many of Them Become Sub-Jobbers?
- How One 'Master' Jobber's Program Works

NATIONAL PETROLEUM NEWS

MAY 1985 VOL. 77 NO. 5

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The era of the small jobber who's tied directly to a major company is drawing to a close. The 2-million-gal./year or so jobber is beginning to align with "super" jobbers. One North Dakota jobber with 50 sub-jobbers shows how such supply arrangements can work. **Page 42**

Cover design by Marcus Design Inc., Chicago; Photo by Tim Grace

When John Yarbrough became head of a 47-year-old New Mexico Shell jobbership last year, he knew he had to diversify his company. So, he converted to C-store outlets, opened a carwash and closed unprofitable dealer-ops. **Page 53**

Some refiners predict both higher prices and spot outages when EPA halves lead content July 1. A 15-company survey tells what they expect. **Page 50**

• TRENDS

Pickens Raid on Unocal: Is This 'The Last Straw?'

Now that the battle has been joined, the outcome of the titanic struggle between Fred L. Hartley and T. Boone Pickens is going to have a lasting impact on the oil marketing industry.

It could put an end to the corporate raiding that Pickens has been fostering and Wall Street has been bankrolling.

Or it could trigger an emotional reaction that would tie a can to any more major acquisitions or mergers by oil companies for the time being.

Conceivably, it could open the Wall Street floodgates, so that no company out there—not even an Exxon—could consider itself safe. [See story on page 33.]

Hartley, chairman of Unocal Corp., is the most formidable foe that Pickens has yet faced in his oil industry incursions to date. Hartley is plain tough—much tougher than Gulf's Jim Lee and even Phillips' Bill Douce.

His company, though smallish, is well-managed, profitable and generally in better financial shape than many oil companies. He himself is entrenched almost to the point of one-man control [*NPN*—Oct. '84, p44].

If Pickens should come acropper in his bid to wrest control of Unocal from the doughty Hartley, it could be the beginning of the end for the corporate raiders he personifies. Such a loss would be a costly affair for Pickens and his associates. Wall Street doesn't back losers, so he'd have a difficult time getting off the ground again.

If he should win, and force Hartley either to ransom his company with "greenmail" or find a "white knight" to save the day, the outcome is bound to stir up a wave of controversy that would rattle the industry the rest of the year.

This time around, the situation is somewhat different for Pickens. There's a noticeable change in the atmosphere, partly from industry fears of what is happening to it and partly from the drubbing that Pickens and New York financier Carl Icahn gave poor Phillips Petroleum in beating it into the ground [*NPN*—Feb. '85, p29].

There's more sensitivity to the depredations of the raiders. And, people are talking up instead of merely shaking their heads, especially in marketing, where the Chevron/Gulf and Texaco/Getty spinoffs are still having painful repercussions and class action suits are still a distinct possibility.

The laissez-faire of recent years is evaporating and there is genuine concern about the way the industry is being reshaped not by itself and the normal forces of competition but by entrepreneurial adventurism and the opportunistic ambitions of outsiders.

Dave Robinson, president of Petroleum Marketers Assn. of America (PMAA), laid it on the line this way:

"It's time Congress carefully examined this takeover trend and developed necessary legislation to prevent corporate raiders from savaging healthy, well-run companies. Until that legislation can be developed, a moratorium on hostile takeovers should be [put] in effect.

"The dismantling of a company such as Unocal would not be in the long-term interests of Unocal shareholders and it would certainly not be in the best interests of the country, particularly in regard to energy security."

It wouldn't take much to get PMAA and the oil marketing fraternity into action on the Hill to promote such legislation. And they'd find a good reception from congressmen who have steadily opposed the Reagan administration's policies of relaxing restraints and controls, no matter what the consequences for individual companies.

If, by chance, Unocal would be forced to its corporate knees and a white knight solution was the only way out, this would not set well in an industry which has already lost much of its independent strength in recent years.

Conoco is now a division of Du Pont; Marathon is a subsidiary of U.S. Steel, and Citgo has been pretty well dismembered after being taken over by Occidental. Getty and Gulf are in the process of being dismantled now. Phillips has mortgaged its future so heavily that it may have to sell off much of its downstream apparatus.

It used to be that size alone was sufficient to make a corporation takeover-proof. But the mega-bucks deals of recent years have shot that concept full of holes. It used to be, too, that good solid management was a substantial asset in locking the doors against takeovers. That concept is being tested now in the Unocal battle.

If Unocal loses, then the door's open for Wall Street to do what it wills in the industry. It has the money and the wallop. It can line up credits of $10-billion to $15-billion without effort and, one banker says, it can line up $25-billion, if the right target comes along. No oil company is safe with that kind of money so readily available.

—J. Richard Shaner

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

FEBRUARY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.128	$1.041	$1.131	$1.290
Regions:				
Northeast	1.160	1.070	1.147	1.289
North Central	1.112	1.045	1.130	1.282
South	1.115	1.022	1.113	1.286
West	1.133	1.042	1.141	1.306

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	3/29/85	3/30/84
Gasoline (total)	221,051	245,051
Gasoline (unleaded)*	102,281	101,080
Jet Kerosine	34,733	34,183
Distillates	100,320	111,445
Residual	44,607	48,452

**Included in gasoline total.*
Source: American Petroleum Institute.

early attendance figures showed an increase over last year's show.

The IPMA marketing committee passed a resolution opposing fees on imported crude and refined petroleum products, placing the Illinois group in opposition to some other state jobber associations. Although recognizing that imports may threaten domestic marketers, the resolution seeks to limit import fees to help reduce the potential for petroleum embargoes and cutoffs such as those that occurred in the 1970s.

Other resolutions called for IPMA opposition to local bans or ordinances limiting the sale of alcoholic beverages at locations that sell motor fuel, and support for unattended self-service motor fuel sales where properly controlled.

This latter resolution was in direct contrast to remarks made by Dwight Elliott, of the Illinois Fire Marshal's office during an address in an underground storage tank seminar. Elliott said his office has vigorously opposed unattended gasoline dispensing in the past and will continue to do so in the future. "We don't care how the pumps are controlled, but we do care that there is an attendant on duty at any time fuel is dispensed," Elliott said.

Elliott also said that the Illinois Fire Marshal's office would be designated by the governor sometime in April as the state agency to record all underground tank registration information as required under the amendments to the Resource Conservation and Recovery Act passed last year [*NPN*—Nov. '84, p16].

In addition to tank registration, new Illinois underground tank regulations will most likely require monitoring wells at the estimated 20,000 underground tank sites across the state, Elliott said.

Rudy White, the American Petroleum Institute's underground tank leak coordinator, told the seminar that API currently is working with a private contractor to thoroughly evaluate the API's recommended inventory control procedures. An updated version of these widely accepted practices is expected out in six months, he said.

Ashland plans to market pre-blended alcohol fuel

Ashland Oil Co. announced in March that it is planning to sell to wholesalers a pre-blended ethanol/gasoline mix from the rack at its St. Paul, Minn., refinery.

Once the program is underway, Ashland will sell pre-blended regular unleaded with ethanol and premium unleaded with ethanol in addition to the straight ethanol it currently makes available at the St. Paul refinery.

The company said blending at the refinery is preferable to splash blending in a tank truck because refinery-blended product is less likely to be contaminated by water or other impurities.

Minnesota, one of only a few Midwest states still encouraging ethanol blending, is set to increase its ethanol-blend tax exemption from 2¢ to 4¢ gal. July 1.

Ashland joins Amoco and Koch in recent expansions of their alcohol blending programs in Minnesota. [*NPN*—April '85, p30].

Arco Ends Chinese Product Imports; More Left for Indies to Toughen up

West Coast gasoline markets might well feel the effects of Atlantic Richfield's reported decision not to buy Chinese gasoline this year.

It could be a sign that Arco's grip on Western gasoline markets is weakening, even if only a little.

It could be that Chinese gasoline prices will soften.

It could be that importation of Chinese gasoline by West Coast independents will increase.

It could be all of the above.

Why Arco stopped importing Chinese gasoline this year isn't reported, but one could speculate, going back to the reason the company first started importing product.

Jessica Korzenicki, manager of product planning and analysis, was quoted as saying Arco had needed the gasoline because its own West Coast refineries could not meet the demand of its service station network.

Why this was no longer true wasn't explained, but presumably Arco is now able to supply its own retail demand.

The trade has been buzzing the past two or three months with how Arco's competitors are getting tougher. In some markets Arco no longer has the big price edge it once did. And, Arco is running out of desirable private-brand stations to brand up.

The combined effort on Arco's market share isn't discernible yet, but some light will be shed on the question when taxable gallonage reports on the first quarter of '85 become available.

It's possible Arco has stopped importing Chinese gasoline for political reasons. There's no indication the cost advantage of Chinese gasoline has disappeared, since other companies appear to be importing as much of it as ever.

Gasoline imports, from China and elsewhere, are under attack by some refiners and marketers for allegedly forcing some U.S. oil companies out of business or to the wall, and for undermining U.S. oil independence [*NPN*—April '85, p29; Feb. '85, p36].

In any event, Arco was playing no small part in China's effort to get rid of gasoline, an unwanted byproduct in the country's necessary production of fuel oil for industry.

Arco's decision to pull out makes that much more gasoline available to others, including West Coast independents. It remains to be seen whether China will have to cut prices to move its surplus elsewhere.

Arco imported 3,743,267 bbl., or 157-million gal., of Chinese gasoline and blending stocks in 1984, according to Pacific West Oil Data, a statistical company based in Panorama City, Calif. This represented about 6% of Arco's entire PAD 5 gasoline sales during the year (California, Oregon, Washington, Arizona, Nevada, Alaska and Hawaii).

Perhaps more importantly, Arco's imports amounted to a huge 38% of the total 414-million gal. of Chinese gasoline imported on the West Coast in 1984. This is quite a lot of gasoline to throw back onto the market.

A question arises how Arco's China pullout affects the overall picture of West Coast gasoline imports, of which the Chinese is a part. Is it just a splash in what critics charge is a growing torrent?

An accompanying chart, based on PacWest data, shows that West Coast gasoline imports have not increased the past three years, though they are highly variable from month to month. Imports averaged 42,000 b/d in 1984, slightly more than the 40,000 b/d in 1983 and 16% less than the 50,000 b/d in 1982.

Nor has imported gasoline taken over a larger share of the PAD 5 market. Imports amounted to 3.8% of total PAD 5 gasoline demand in 1984, compared with 3.8% in 1983 and 4.8% in 1982. In the first two

months of 1985, it amounted to 3.1%.

Of course, some gasoline importation is routinely done internally within a company to move foreign-held products or execute exchanges. Therefore, perhaps the real question is how much of the West Coast gasoline imports come from relatively new Far East exporters, particularly China. This is where the competition is coming from.

There's no upward trend of Chinese gasoline imports either, the PacWest data shows. The proportion of Chinese to total West Coast gasoline imports is staggering, but the average annual amount has been roughly the same for three years.

On a monthly basis, the percentage of Chinese to total gasoline imports varies greatly, possibly in part because of the variability of tanker arrivals. The highest monthly percentage of Chinese gasoline in 1984 was 92% in August; the lowest, 31% in May. The highest in 1983 was 89% in September; the lowest, 39% in June. The highest in 1982 was 88% in April; the lowest, 34% in January.

But the annual monthly average was about the same for the three years: 65% in 1984, 67% in 1983, and 64% in 1982. [See bar graph.]

Most of the Chinese gasoline is shipped from Dairen, located across Korea Bay from Pyongyang, North Korea, although some comes from Shanghai and a couple of other ports. Other Far East gasoline comes from Indonesia, Singapore, Korea and even India.

The principal West Coast importers of Far East gasoline apparently are Wickland Oil Co., Sacramento; Landsea Oil Co., Irvine (which took over the former Urich Oil terminal in the San Francisco Bay area); and Pacific Refining Co., Long Beach, with a refinery at Hercules in the San Francisco Bay area.

In an analysis of tanker arrivals in the ports of San Francisco and Long Beach/Los Angeles over a six-month period in 1984, Wickland led with eight cargoes of approximately 1,240,000 bbl.; Landsea was second with seven cargoes of 1,070,000 bbl.; and Pacific third with six cargoes of 970,000 bbl.

Some other importers of Far East gasoline are Tosco Corp., Santa Monica; Golden Gate Petroleum Co., Emeryville; Golden West Refining Co., Santa Fe Springs (the former Gulf Oil refinery); and U.S. Oil and Refining Co., Tacoma, Wash.

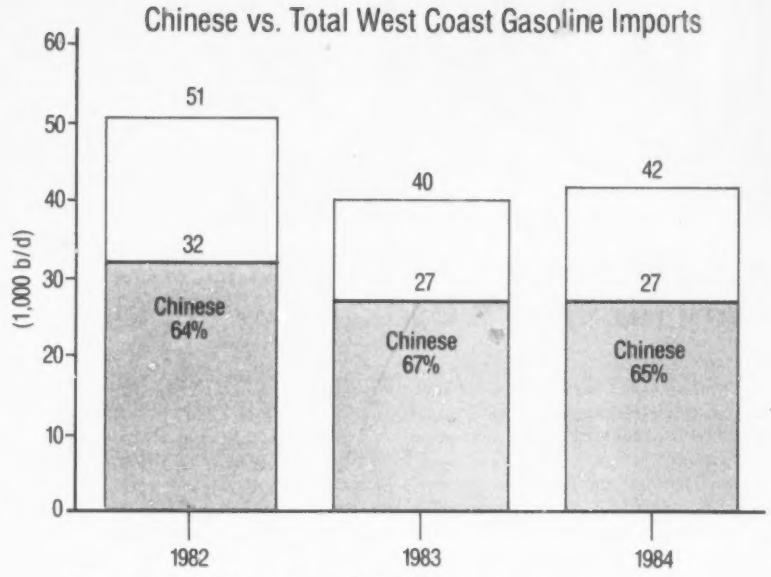
The list of West Coast importers is limited because of the necessity of deepwater storage. Substantial newcomers to this list are not likely.

In the coming months, some of these independents could become more active. Whatever else is the outcome of Arco's pullout, it appears that independents will be marketing more Chinese gasoline.

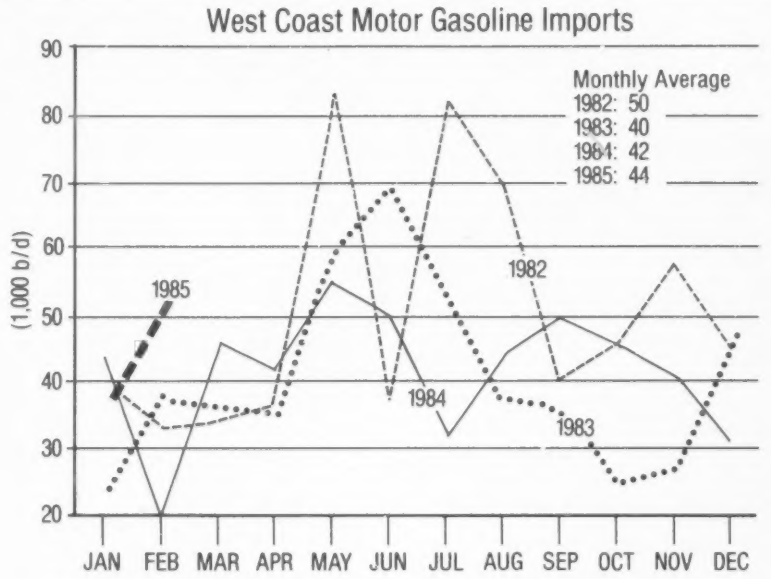
There has been trade talk to the effect that the current U.S. lead phasedown effectively dooms importation of Chinese gasoline, which is low-octane leaded product. This may be wishful thinking.

Informed sources believe the product can be upgraded by segregating gasolines that are now commingled, by blending easily available reformate to obtain unleaded octanes, and by changing internally refined product prices to bury true costs of gasoline. All that is believed needed for China to maintain exports is the will, which it has.

Until events prove otherwise, therefore, the prudent conclusion would be that Chinese gasoline imports will continue as before.



Source: Pacific West Oil Data. Includes blending stocks.



Source: Pacific West Oil Data. Includes blending components.

West Coast Gasoline Imports
(000 bbl.)

	1982	1983	1984	1985
Jan	40	22	44	35
Feb	33	38	20	52
Mar	34	36	46	
Apr	37	35	42	
May	83	59	55	
Jun	37	69	50	
Jul	81	51	32	
Aug	70	38	44	
Sep	40	36	50	
Oct	46	25	46	
Nov	58	27	41	
Dec	44	45	31	

Source: Pacific West Oil Data. Includes blending components.

How 1984 Mergers Altered Retail Rankings

After 1984's flurry of oil mergers, significant changes in rankings and station numbers occurred for three of the top 21 companies.

For the other 18, 1984 was marked only by the now-usual number of pullouts, consolidations, and station closings. For the three companies that merged or bought, however, the changes that occurred were of major proportions.

Texaco jumped to the top of the heap in '84 with a net gain of 868 outlets, including those from the Getty Oil purchase and new Texaco 2000 units, and added three states to its marketing string. In the fall, however, the company will pull out of branded marketing in Indiana, Kentucky, Wisconsin, and most of Illinois [*NPN*—April '85, p14].

Chevron was busy in late 1984 solidifying its merger with Gulf, and actually ended the year with a few less states and outlets than it had in '83. But now that it officially has added the 7,922 Gulf properties it retained, it will come out a winner, moving from No. 6 to No. 2 with 18,540 stations in 42 states. It remains to be seen if Chevron will leapfrog to No. 1 when Texaco sheds those Midwest outlets.

The biggest winner of all was Sohio. The Southeast properties it picked up in the FTC-mandated Chevron/Gulf merger scramble helped it add the major part of 6,460 units for a total of 8,560 branded retail outlets. When the year ended, Sohio was sitting at No. 9, up from No. 15 on the list.

As a sidelight, unranked Power Test became the nation's largest independent gasoline marketer in early January when it took control of the Northeast Getty assets from Texaco. At the end of 1983, the company reported 475 outlets in five states. The company now reports approximately 2,300 gasoline stations in a 12-state area—a total that would place it at No. 15 in the major oil company retail outlet rankings. *NPN*

		Outlets	'83
1	Texaco	19,558	(2)
2	Exxon	18,139	(1)
3	Amoco	15,652	(3)
4	Mobil	13,862	(4)
5	Shell	11,010	(5)
6	Chevron	10,618	(6)
7	Union	10,365	(8)
8	Phillips	9,705	(7)
9	Sohio	8,560	(15)
10	Sunoco	6,425	(9)
11	Conoco	4,800	(10)
12	Fina	4,385	(12)
13	Arco	3,884	(11)
14	Citgo	3,599	(13)
15	Marathon	2,299	(14)
16	Diamond Shamrock	2,060	(17)
17	Ashland	1,910	(16)
18	Kerr-McGee	1,839	(18)
19	Murphy	591	(19)
20	Tenneco	423	(20)
21	Crown Central	188	(21)

	Number of states*		Branded retail outlets	
	'84	'83	'84	'83
Amoco	36	35	15,652	17,600
Arco	22	24	3,884	4,363
Chevron	38(a)	39	10,618(a)	12,117
Exxon	38	41	18,139	18,707
Mobil	41	43	13,862	15,403
Shell	38	40	11,010	12,147
Texaco	46	43	19,558	18,690
Ashland	15	15	1,910	2,071(b)
Citgo	31	31	3,599	3,915
Conoco	34	40	4,800(d)	5,091
Crown Central	7(c)	8	188(c)	200(d)
Diamond Shamrock	24	25	2,060	1,993
Fina	22	20	4,385	4,037
Kerr-McGee	22	21	1,839	1,785
Marathon	6	5	2,299	2,210
Murphy	14	14	591	614
Phillips	34	37	9,705	11,827
Sohio	30	20	8,560	2,100
Sunoco	29	27	6,425	6,808
Tenneco	15	15	423	418
Union	42	44	10,365	11,221

Source: *NPN* questionnaires
* Includes District of Columbia.
(a) Excludes Gulf stations acquired in early 1985. The 7,922 Gulf stations give Chevron 18,540 outlets in 42 states.
(b) Old 1983 count of 187 outlets was for Ashland-branded company-ops only—new counts include all of Ashland's branded outlets, plus Superamerica and other direct-operated brands.
(c) After May 1 station swap with Mobil, total is 185 stations in six states.
(d) Approximately.

Marketers vs. Refiners On Blendstock Tariffs

Congress is expected to decide this summer whether to change existing tariff classifications for catalytic naphtha and other gasoline blendstocks.

The Reagan administration last year proposed allowing all imported blendstock to enter the U.S. at a 1.25¢ gal. tariff—the same rate as finished gasoline. Under existing law, most napthas are taxed at a higher rate. The Reagan plan was dropped by Congress after a number of refiners complained that the proposal would result in a hefty increase in low priced imports.

The Senate Finance Committee and the House Ways and Means Committee then asked the International Trade Commission to study the issue and make a recommendation to Congress. At an ITC hearing in March, the refining industry and marketing groups were at odds over whether Reagan plan should be adopted.

Refiners, claiming that imports will rise if all blendstocks are taxed at 1.25¢ gal., urged the ITC to nix the plan. The Society of Independent Gasoline Marketers of America and the Independent Gasoline Marketers Council, two groups which are actively opposing any government action which restricts imports, sided with the Reagan administration proposal.

The ITC was expected to make its recommendation by April 15. *NPN*

API Tank Seminars Available Free to All

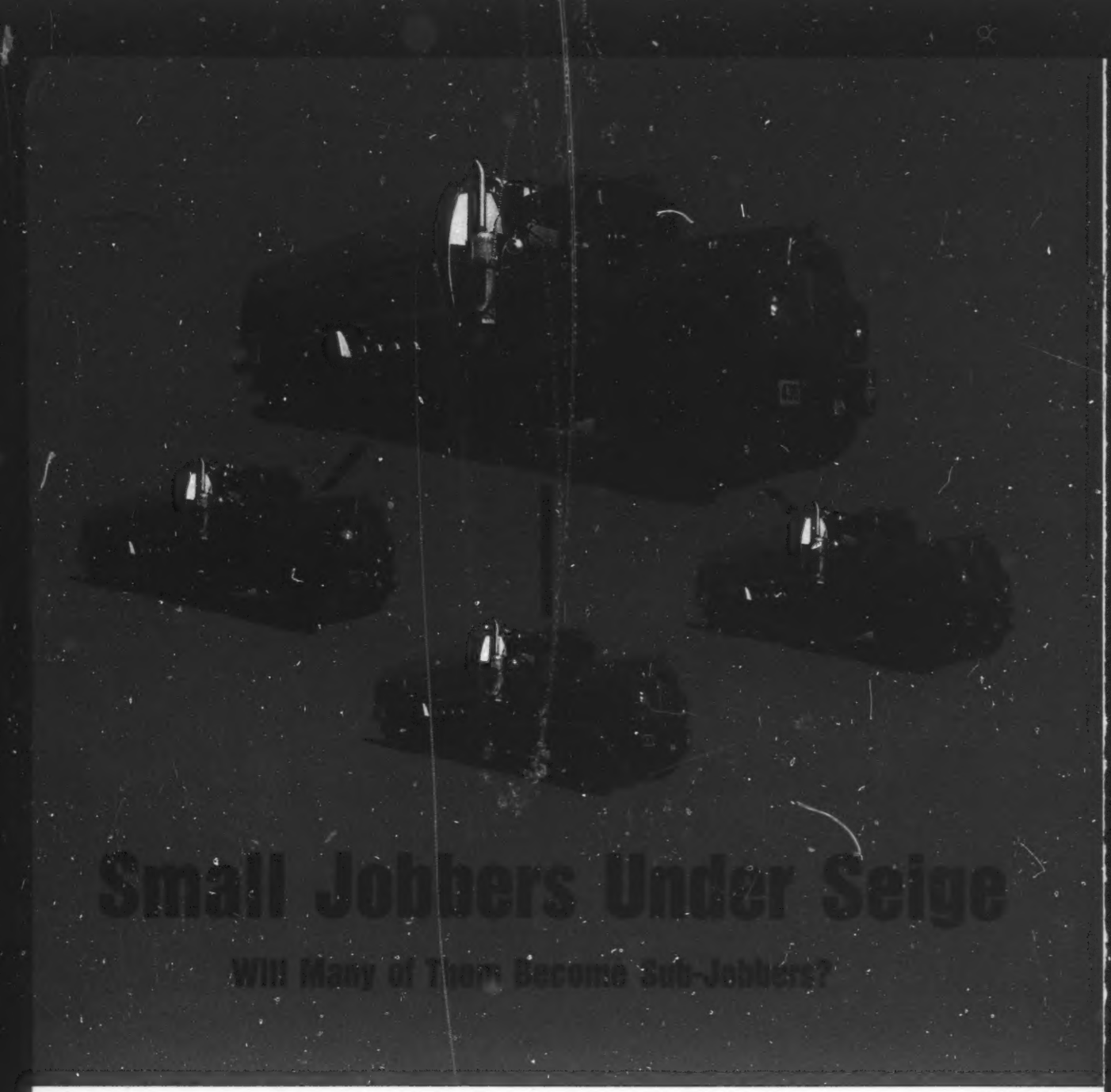
American Petroleum Institute says it's ready, willing and able to put on an underground storage tank seminar anywhere in the U.S. for all interested parties.

The seminars, provided at no cost to the participants, would deal with the prevention, detection, investigation, recovery and cleanup of leaks from underground tanks. They could be as short as one hour or as long as all day, depending upon the sponsoring organization's needs.

In its announcement, API pointed out that many underground storage tanks are owned by farmers, government agencies, trucking companies, taxi firms, school systems and other users of petroleum products.

The seminars are part of API's continuing program on underground tank educational activities.

API also said it has available a 40-minute slide show which uses a large plexiglass laboratory model to dramatize the movements of underground water, how oil-based liquids can migrate to them and techniques for recovering the petroleum liquids. *NPN*



Small Jobbers Under Seige

Will Many of Them Become Sub-Jobbers?

The era of the small-volume independent oil jobber—one who is supplied direct by a major oil company—appears to be drawing to a close.

Some fast-developing trends indicate that most branded jobbers pumping below 2-million gal. a year, and perhaps as high as 5-million gal., will have to align themselves with "master" or "super" jobbers in the future to remain in business.

A move in this direction is already developing. Some large jobbers now have quite a few small ones under their wings as "associate" or "sub" jobbers. [See following story for how one such arrangement works.]

By Marvin Reid and Tim Grace

The major oil companies, in general, have been making substantial reductions in their jobber networks since federal price and supply controls were lifted in early 1981. Much of this fallout has occurred among small jobbers.

In early 1981, with the onset of decontrol, 19 major companies reported to *NPN Factbook* that they had 17,372 jobbers they supplied with their branded products. Last year, this number had dropped to 13,687 or nearly 27%.

The companies say there are many more small jobbers who may have trouble making it, due to changing industry conditions and the highly-competitive nature of today's marketplace.

The Petroleum Marketers Assn. of America estimated there was a "universe" of 15,160 jobber companies in operation at the end of 1982. Of this total, PMAA estimated 65.1% had annual volumes of under 5-million gal. It estimated that 44.3% were below 2.5-million gal.

These numbers of small jobbers are believed to be shrinking rapidly as most majors seek to do business through fewer but larger jobbers.

Cutoff Pressure Builds

Increasingly in recent months, some majors have been advising their small-

jobber accounts that they either have to find a way to grow or plan on looking elsewhere for supply. This is especially true for those jobbers pumping less than 2-million gal./year.

This is causing some bitter reaction among jobbers, even large ones.

"Some of these little guys are very good marketers," says Tom Potter Sr., a senior vice president of the Petroleum Marketers Assn. of America and a large North Carolina jobber. "There's no way you could run some of them out just on economics."

Phillip R. Chisholm, PMAA's executive vice president, says he objects to "some companies playing like God, setting a gallonage number and saying all that fall below it must go. That's not free enterprise."

Other jobbers, though, tend to agree

'We will wind up within a few years with one-third to 40% fewer jobbers, doing the same amount of business all jobbers are doing at present.'

—Major oil exec

that the day of the small-gallonage jobber supplied direct by a major oil company is about over.

"It's terribly unfortunate, but there is no place in today's market for the very small jobber who is totally on his own," says Jack Griffith, last year's PMAA president.

Regardless of jobber reaction, some oil company executives say they must prune their books of small-jobber business for two reasons.

First, they say, conditions which once fostered the creation and growth of thousands of small jobbers and commission agents have changed. To reduce their own overhead costs, most majors say they must distribute their products through fewer but larger jobbers.

Second, they say it's tough for the small-volume marketer to generate the cash flow required to keep pace with today's competitive conditions. Sooner or later, they see those who can't increase their volume falling behind their competition. "We've got to wonder what happens to us when they go belly-up, owing us a lot of money," says one executive.

Most companies are doing a lot of counseling and working with their small jobber accounts on possible solutions, rather than simply canceling their supply contracts. There have been some contract cancellations since decontrol, however, and there are indications there will be more cutoffs for those who can't increase their size. Few majors will take on small jobbers as new accounts now, and some do not renew contracts as they expire.

What Minimum Size?

Oil company executives offer different opinions as to what size a jobber needs to be to make it in today's marketplace environment. In addition, most point out there are always exceptions. Some small jobbers are financially solid and profitable.

Generally speaking, though, some company executives say they doubt there is much future for the jobber pumping less than 1-million or 2-million gal. annually, if he has little or no prospect for growth on his own. Others talk in terms of 5-million gal. or higher.

"We are urging those doing 5-million gal. or less to get affiliated with a large jobber right away," says one company executive. "We think this is the minimum volume required (to go it alone) now and we believe this minimum will rise to 7-million or 8-million gal. very soon. I think we (the industry) will wind up within a few years with one-third to 40% fewer jobbers than we have today, but these will be doing the same amount of business that all jobbers are doing at present."

Bob Anderson, an Exxon jobber who heads up a small jobber task force for the Texas Oil Marketers Assn., says some of his supplier's people "have said for several years that if a jobber is not running 1-million gal. per month, they don't see how he can survive. Everyone in Exxon doesn't share that philosophy." Anderson was on Exxon's marketing staff before taking early retirement to take over a small agency. His Twin Lakes Petroleum Co. of Athens, Texas, averages around 700,000 gal. per month.

Charles Bowerman, Phillips Petroleum marketing vice president, talks in terms of 1-million to 2-million gal. as minimum requirements. Phillips and Amoco are believed to have the largest numbers of small-volume jobbers.

Other company executives say that any jobber who wishes to remain independent and profitable must have a high enough volume or be able to generate sufficient

'I don't want anything to do with being a sub-jobber. The big guy gets his cut, and where would that leave me? If I can't make it on my own, I'll get out.'

—Bob Anderson, Texas oil jobber

cash flow from diversified operations to afford the tools and investments required to keep pace with his competition.

"He has to be able to afford such things as a computer, make investments in modern facilities, and at the same time generate enough cash flow so he will make $100,000 to $150,000 a year," says one executive. His company wants "this kind of guy, one who is willing to roll the dice," for the future.

Must Think Big

It's not easy for many small jobbers to think in terms of large cash flows and investments.

The majority trace their roots back to a time when the oil companies were inclined to establish local bulk plant and wholesale distribution operations in virtually every small town in America. Many of today's small jobber companies were started originally as commission agencies. Typically, in the beginning, the oil company owned the agent's bulk plant, inventories and most of his equipment, including tanks and pumps loaned to farm and other rural customers. The companies often "carried" all of the agent's accounts receivable. The agent usually owned his rolling stock and, as a rule, he and his family handled all the bookkeeping and delivery work.

Many such "mom & pop" operations haven't changed all that much except most former agents are jobbers today. They own all of the things once owned by their suppliers. They also must take care o' their credit business in many cases.

Whether as a commission agent or small rural jobber, such distributors traditionally did little more than eke out a decent living.

In 1975, for example, when Amoco began converting some 3,000 commission agents it then had to jobbers, its average agent supplied 800,000 gal. of oil prod-

ucts annually to retail, farm, heating oil and small commercial accounts. He grossed from $20,000 to $25,000 annually and could net about $14,000.

By "going jobber" there was the lure of possibly doubling his gross income because, at the time, jobber margins were running about double agent commission rates. This was offset, though, by investments the converted distributor had to make in inventory, equipment and accounts receivable.

It became crucial for such distributors to increase their gallonages to help meet the higher costs of doing business as a jobber.

In 1975, it took about $50,000, on average, for one of the Amoco agents to buy his business from the company and become a jobber. Today, if he is still around, he is looking at a $300,000 or so investment for a single combination convenience food store/self-serve gasoline facility. The experts are saying he must diversify into this or something similar to keep pace with his competition. If he doesn't, they say, he won't survive.

Big Fallout Already

Although Amoco's marketing management in 1975 expressed high hopes that its approximately 3,000 commission agents that year would become successful jobbers, many obviously didn't make it.

Amoco reported to *NPN Factbook* in 1975 that it had a total of 3,483 jobbers and commission agents. By Jan. 1, 1984, this total had shrunk to 1,923 jobbers and no agents.

But Amoco is not the only major oil company, by any means, now reporting sharply lower jobber and agent numbers than 10 years ago. Almost all agents, in fact, have become jobbers or disappeared.

'Catch-22' Situation

Some oil companies are devoting considerable time and money in their efforts to help their small jobber accounts either grow in size or merge with other jobbers. At the same time, though, their sales representatives tend to spend more of their day-to-day time cultivating and helping their larger jobber customers.

In some ways, the small jobber seems to be caught in a "Catch-22" situation. He's given all kinds of counseling about a need to get bigger, but may find that he sees his sales rep less often.

Conoco, for one, has put many of its small jobbers into a category it calls "phone accounts." This means that instead of regularly visiting such accounts, a sales rep calls them weekly. C.P. McCahill, general manager of division operations, and Eldon Saul, jobber coordinator, says this system has worked out well.

Small jobbers are in a 'Catch-22' bind: His sales rep gives him counsel about a need to get bigger, but he sees that rep less often nowadays.

"It provided us a way to better serve the small guy without running our costs up," says McCahill, who adds that the company's cost of keeping a man in the field now runs bout $75,000 a year, up one-third over five years ago. Such a man's time may be better spent, he says, trying to help a 3-million-gal. jobber increase his business than on a 300,000 gal. a year one.

Some company people estimate it costs $200-plus per day now to keep a field rep on the road.

"Our people spend more time with the bigger guys," says another company executive. "The sales rep looks at a 20-million-gal. account and sees that if he can help him achieve a 10% increase, he's better off than fooling with a bunch of small ones."

The companies, in general, argue that it costs as much or more in manpower and time to "handle" a small jobber account than a large one. In some instances, the costs run higher because the small jobber often needs more help.

Company Programs

While the small jobber may tend to feel that he doesn't get the attention or respect from his supplier company that he received in the past, most company people say they have much concern and sympathy for the plight of the small jobber today.

Many such small accounts, says one company executive, go back several generations. They are "family," he says, but the cold, hard economics of today's marketplace conditions are forcing the companies to help such jobbers get bigger or die.

Most large supplier companies have some type of program now that is aimed toward helping the small jobber find a way to survive or make a relatively painless exit.

Union Oil's Eastern Region in 1981 identified some 105 small jobbers who "wouldn't make it," says a source, and gave them a year's notice that their supply contracts wouldn't be renewed. About 75 of these jobberships joined larger Union jobberships.

Last summer, Union developed a computer model for various size jobbers. Its marketing staff now uses this model to counsel its jobbers. It is designed to help a jobber identify his weaknesses and to help him map out plans for the future. In some instances, says a company source, the answers may indicate that he "needs to sell out or do something about merging with others."

Union doesn't see the "mom & pop" type jobber of the past surviving the future. "We feel that a jobber has to have enough volume to give him a good economic base to plan and do the things today's market requires," says a company source. "He needs to control at least 50% and preferably 75% of his volume, and he needs to diversify into such things as fast lubes and C-stores."

Conoco came out with a program about two years ago called "Impact," designed to help its jobbers evaluate their operations and map out plans for their futures. The program was developed, says McCahill and Saul, because marketplace conditions were "killing off" some of its jobbers.

The Conoco program was put together by a team of its experienced marketing staff, including those from such areas as supply and pricing.

Basically, this program encourages the jobber to sit down and analyze how his company operations stack up in the marketplace environment of today and that expected in the future. He is encouraged to map out a five-year plan.

"It's not sophisticated and it is not a save-all tool," says McCahill, "but it gives us a chance to sit down and work with them."

The jobber, once he does this self-analysis, may see that he should merge with another small jobber or become associated with a large one. In some instances, the jobber may decide he wants to sell out. Whatever his decision, Conoco offers to help get him in touch with experts in mergers, banking, and so forth.

Phillips Petroleum has no formal or specific program, says Bowerman, but for

Union has developed a computer model for various size jobbers . . . to help identify their weaknesses and map out plans for the future.

the last 18 months it has been "putting out the word" to small jobbers in the up to 2-million gal./year range to consider "affiliating or consolidating."

Amoco, according to field reports, has been trying to come up with strategies to help keep afloat its hundreds of small jobbers in the Midwest, while at the same time reducing the company's operating costs involved.

In late March, rumors were widespread that Amoco was in the process of "setting up" large jobbers as "regional suppliers" of small jobbers. The small jobbers, according to reports, in effect would become sub-jobbers of the larger ones.

While some Amoco marketing people indicated that some such strategy for its Midwest jobbers was in the works in late March, detailed confirmation was lacking.

In North Dakota, however, senior marketing representative Dick Dupre, of Behm's Propane Inc., says Amoco told him some months ago that it would "give him" a number of small Amoco jobber accounts which failed to meet the company's "profitability index." [See following story.] This index, says Dupre, came out to the equivalent of 1-million gal./year volume. Dupre says he was told that he could pick up the accounts as their supply contracts expired.

Jobber Reaction

Some company sources say that while they have been counseling with and urging small jobbers to analyze their situations and possibly adopt new strategies, it isn't easy to get many to do so.

"There are some out there who own maybe three pumps, three tanks and are pumping 5,000 gal. a month. They supply a little farm business and they are just hanging on, sitting on their annuities," says one comapny executive. "Grandfather started the business, this is how he operated it, and they just don't feel right making any big changes. It's difficult to overcome this."

The majority of company people tend to believe the best solution for many small jobbers is to become an associate or sub-jobber of larger ones. Many small jobbers, however, don't think so.

"I don't want anything to do with being a sub-jobber," says Bob Anderson, who heads up TOMA's small jobber task force. "The big guy is going to get his cut and where would that leave me? If I can't make it on my own, I'll get out."

Anderson says he agrees, though, that many small jobbers pumping less than about 2-million gal. annually are "dying on the vine" and must consider such alternatives as the sub-jobber route.

Some state jobber association executives say the small jobber's future is critical for their groups.

Gerald Tedrow, executive director of the Intermountain Oil Marketers Assn., reports small distributors in the 1-million- to 3-million gal. range in Arizona, Idaho, Montana, Nevada, Utah and eastern Washington make up about half of his membership. Many of these are having a hard time collecting on accounts receivable. Jim Divine, director of the California Independent Oil Marketers Assn., says one-third of his membership falls in the small-jobber category. He reports some movement toward sub-jobber arrangements.

Illinois is having problems keeping its small jobbers alive, due to their economic conditions as well as supplier pullouts, reports Bill Deutsch, executive director of the Illinois Petroleum Marketers Assn. "Lots of rural jobbers have been hung out to dry because the banks take all the farmers money," he says. About 100 IPMA members do less than 1-million gal. a year, but Deutsch points out that many of them operate with low overhead costs.

The average-size jobber in the Northwest Petroleum Assn. is 1-million gal. a year, says outgoing executive director Gerald Everett [*NPN*—April '85, p65]. "We're seeing fewer and fewer large suppliers willing to take on smaller jobbers," he adds, and sees many of his small members going sub-jobber or selling out.

In Wisconsin, full-time small jobbers have to contend with part-time small ones, says Tom Moore, assistant vice president of Oil Jobbers of Wisconsin. He sees "a continual shrinking in the number of jobbers." One jobber's son who took over the family business "saw the writing on the wall" and sold the distributorship, retaining the real estate. "With the tough competition around now, many feel it's easier to just sell out."

Other association directors agree—the trend toward mergers or sellouts continuing.

Distributor Count since Decontrol

	1/1984		1/1981		Jobber/Agent change
	Jobbers	Agents	Jobbers	Agents	
Majors					
Amoco	1,923	0	2,256	3	−336
Arco	152	0	1,144	2	−994
Chevron	840	40	608	368	−96
Exxon	916	0	1,235	147	−466
Gulf*	1,087	0	1,406	143	−462
Mobil	1,803	28	2,108	61	−338
Shell	596	0	715	0	−119
Texaco	1,176	6	1,535	82	−435
Semi-majors					
Amer. Petrofina	440	0	427	0	+13
Ashland	32	160	34	170	−12
Citgo*	250	0	242	0	+8
Conoco	760	0	834	0	−74
Dia. Shamrock	166	0	127	2	+37
Getty*	582	0	644	7	−69
Kerr-McGee	428	0	314	0	+114
Marathon	86	0	87	0	−1
Phillips	1,751	2	1,591	6	+156
Tenneco	0	0	204	26	−230
Union	405	158	637	208	−282
	13,393	394	16,148	1,225	−3,586

*Since merged into other companies.
Source: NPN Factbook